

John Y. Ferry, Chairman
Kevin S. Carter, Director

MINUTES OF THE RETREAT MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATES: OCTOBER 22 AND 23, 2008

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

John Y. Ferry
John Scales
James Lee
Michael Brown
Dan Lofgren
Steve Ostler (22nd p.m. & 23rd am.)
Gayle McKeachnie

STAFF

Kevin Carter
John Andrews
Tom Faddies
Jeff Roe
Dave Hebertson
Ron Carlson
LaVonne Garrison
Kay Burton
Doug Buchi
Kim Christy
Lisa Schneider
Lynda Belnap
Rick Wilcox (23rd a.m)

OTHERS IN ATTENDANCE

Margaret Bird, State Office of Education
Karen Rupp, State Office of Education
Paula Plant, State Office of Education
Tim Donaldson, State Office of Education

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WEDNESDAY, OCTOBER 22, 2008

Morning Session - - Setting the Stage

1. Welcome - - John Ferry

Chairman Ferry welcomed Board members, Staff, and beneficiary representatives to the Retreat. He noted that, at previous Retreats, others have done most of the talking. This time, the role needs to be reversed; and Board and Staff all get to take an active role.

2. Review of Old Business

Mr. Andrews reviewed some old business with the Board and Staff. Mr. Lee had asked that the Board be updated on the current situation on the St. George Airport and the Emery County industrial lease.

a. St. George Airport Purchase - - John Andrews

The issue that has been outstanding is the same one Mr. McKeachnie raised early on, that being that constitutionally a municipality may not be able to take on debt beyond what is more than appropriated. Therefore, if there is an airport, we may own the land under which the airport is operating. We have an insoluble legal issue in that we cannot get a legally binding commitment that is for money. We can get the land, and we will have title to the land until we are paid in full. We realize on the face that the airport does appear to be fully funded with some minor exceptions at this point. The State of Utah will be issuing next month some general obligation bonds for some bridge construction where the State agreed to bond for what the purchase price of that will be. We believe the financing is in place, but we have the ultimate legal issue of having a binding commitment. Mr. McKeachnie stated he had heard the interest will be between 11 and 12 percent, and they are wondering if it should be postponed until after the legislative session.

Mr. Lee stated he thought it was important for the Board members in the next four or five years to be aware we are not getting any principal payments until 2012. The payoff is in 2016. He thinks the Board needs to be fully aware of the contract because it is one of the biggest ones we have ever had. Mr. Andrews noted the contract is ready to be signed. Mr. Lee stated he is not suggesting that we not sign it. Mr. McKeachnie stated the remedy is to keep title to the land until it is paid for. He is curious how they are getting the other financing without title to the land. Mr. Andrews noted we have to have the FAA's consent before closing. It will be funded with \$90 million federal money, \$40 million coming from the State, and \$15 million bond secured by

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2. Review of Old Business (cont'd)

a. St. George Airport Purchase - - John Andrews (cont'd)

transient room taxes. The balance has been committed on a year-to-year basis out of the city budget. Mr. Andrews stated it is our standard practice to receive, and the city is providing us, a fully executed quit claim deed that will terminate its interest in its entirety upon default.

Mr. Buchi noted the ground-breaking for the site was last Friday. He and the Director attended.

b. Emery County Industrial Park - - John Andrews

This lease was approved by the Board in May, 2008. We have been dealing with them on the contract since that time. They did not involve the county attorney very early in the process. It is at the point of signing. Staff has been working with Mr. Lee to approve the language, as per the Board's request. There has been some media coverage in the Tribune as to the Heal Utah's involvement and concern. One of the parcels may be purchased by this group.

Mr. Lee stated the issue here is "what is the policy of this Board or the State of Utah regarding nuclear power"? It is clear the lease would allow for it, and we would have no say in it as long as they follow federal law. He is not suggesting that we change our mind on the action taken by the Board. He just thinks we haven't dealt with the proper policy issue. Mr. McKeachnie thinks the case of Heal Utah is not very well-founded in fact. He noted the Governor's position is that nuclear power should be part of our future energy portfolio. We do need to solve the problem of what would we do with the waste. Mr. Andrews stated the purchase price is 400 percent what the appraised value is. There probably isn't much chance of a nuclear power plant happening. The company will pay us for the land at the signing of the lease.

3. Presentation of Enabling Act, Constitution, and Trust Lands Management Act - - John Andrews

Mr. Andrews briefed the Board on the beginning of trust land, a review of the Enabling Act, Constitution, and Trust Lands Management Act through a power point presentation as follows:

Basic Trust Principles:

- * Definition: **Trust** n. (Law) (a) the confidence reposed in a person by giving him nominal ownership of property which he is to keep, use, or administer for another's benefit . . .

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3. Presentation of Enabling Act, Constitution, and Trust Lands Management Act - - John Andrews (cont'd)

- * Governing Principle of Trust Management: **Fiduciary Duty**: the duty of the trustee to act **solely** for the beneficiaries' interests, with skill, loyalty, and prudence.
- * Creation: A trust is created by a **settlor**, who entrusts property to a third party, the **trustee**, to be held for the benefit of a third party or parties, the **beneficiaries**. A trust may be created by an express legal document or implied by the circumstances.

Specific Duties of the Trustee

- * Undivided Loyalty: Manage the trust solely in the interest of the beneficiary and not for the benefit of others.
- * Reasonable Care and Skill: Manage the trust corpus with prudence, care, and skill to the best of the trustee's ability.
- * Productivity: Make the trust financially productive.
- * Accounting: Keep accurate records and provide beneficiaries with accurate information.
- * Segregation: Keep trust property and accounts separate from non-trust property.
- * Impartiality: duty to treat co-beneficiaries equally.

Types of Trusts:

- * Private Trusts
- * Charitable Trusts
 - * Established for purposes beneficial to the community
 - * Allowed to have perpetual life
 - * Enforceable by Attorney General. Others?
 - * *Cy Pres*
- * Government Trusts
 - * School land trusts; tidelands and waters; Native Americans
 - * Some characteristics of both private and charitable trusts
 - * Have to look to specific statutes and history

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3. Presentation of Enabling Act, Constitution, and Trust Lands Management Act - -
John Andrews (cont'd)

Why are School Grants “Trust” Lands”

Part I

- * Early grants contained no restrictions on how the lands were to be leased or sold.
- * “Incompetence, indirection, and corruption”: rampant land fraud causes the loss of lands and funds.
- * New states had no money, leading them to sell lands at fire sale to raise operating cash.
- * Problems with prior grants led to increasing congressional and state constitutional restrictions on use of lands and funds.
- * The permanent fund concept (Michigan 1837)

Part II

- * Reaction to land fraud: state constitutional requirements that the lands be held in trust for the benefit of schools and other beneficiaries.
- * Arizona-New Mexico Enabling Act: congress creates express trust, enforceable by U. S. Attorney General
- * Limits include public auction requirements; creation of permanent fund lockboxes; prevents free use of trust lands for other state purposes (Ervein; Lassen v. Arizona).

Utah Enabling Act Grants

- * Utah Enabling Act (Act of July 16, 1894, 28 Stat. 107):
 - * Section 6: Four numbered sections (2, 16, 32, and 36) in every township granted for the support of common schools, plus replacement (in lieu) lands for unavailable numbered sections.

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3. Presentation of Enabling Act, Constitution, and Trust Lands Management Act - -
John Andrews (cont'd)

- * Section 7 & 8: Grants for specified acreage (quantity grants) for public buildings, universities.
- * Section 9: 5 percent of federal land sales to Permanent Fund
- * Section 10: Permanent School Fund created
- * Section 12: Quantity Grants for reservoirs, school of mines, miner's hospital, etc.

Utah Constitution:

- * Article X, Section 5
 - * Permanent School Fund established
 - * Only investment income may be distributed.
 - * Allows appropriations for SITLA administration.
 - * Guaranteed by the State against loss or diversion.
- * Article X, Section 7: Permanent University Funds
- * Article XX, Section 2: Enabling Act lands grants are held in trust by the State for the respective beneficiaries and purposes stated in the Enabling Act. (1998 amendment)

The Trust Principle Applied

- * Utah Trust Lands Management Act (U.C.A. 53C-1-102):
 - * State has perpetual trust obligation under the Utah Enabling Act and Utah Constitution
 - * Title is vested in the state as trustee for the financial support of the trust beneficiaries

3. Presentation of Enabling Act, Constitution, and Trust Lands Management Act - -
John Andrews (cont'd)

- * Duty of undivided loyalty to the beneficiaries; lands must be managed exclusively for their benefit.
- * Lands to be managed prudently and profitably, taking into account current beneficiaries and future generations - - don't sacrifice long-term interests for short-term goals.
- * The beneficiaries do not include other governmental agencies, the public at large, or the general welfare of the state.

The Trust Principle Applied in the Courts

- * *Idaho Watersheds Project v. State Board of Land Commissioners*: Sets aside preference for grazing permittee as against higher bid submitted by environmental group.
- * *Montrust v. State Board of Land Commissioners*: no below-market renewal lease rates for cabin sites; no free timber
- * *County of Skamania v. State*: no release of favorable state timber contracts.

Legal Uncertainties

Part I:

- * Only Arizona and New Mexico have explicit trust language in their Enabling Act. Some argue that absence of the word "trust" in other state enabling acts precludes the existence of a trust.
- * U. S. Supreme Court has left the issue open for most western states. Early state grants carried only an honorary obligation; Arizona and New Mexico are clearly trusts. A solemn compact?
- * Why does this matter? Have to understand the hierarchy of laws: Enabling Acts, state constitutions, state legislation. Who can change the ground rules?

Legal Uncertainties - - Part II

* Recent Case Law:

- * *Branson School District v. Romer* (10th Circuit, 1998): Colorado Enabling Act created trust due to limits on state's discretion to sell lands, permanent fund. Places some limits on state constitutional amendment.
- * *Dist 22 United Mine Workers v. Utah* (10th Circuit, 2000): Utah Enabling Act grant of lands for hospital to support disabled miners did not create trust obligations, but Utah constitution did.
- * *Riedel v. Anderson* (Wyo. Supreme Court, 2003): Neither Wyoming Enabling Act nor Wyoming Constitution imposed trust obligation on state school lands; legislature free to grant preferences to grazing permittees.

Legal Uncertainties - - Part III

- * May general state law be applied against the Trust?
 - * Mathis litigation re statutes of limitations
 - * Environmental and zoning regulation
 - * Federal (Brown case)
 - * State (NPCA)
- * How does the perpetual nature of the trust affect trust management?
 - * *Branson v. Romer*: reasonable v. maximum income
 - * Utah cultural resources statute

Ms. Bird stated the beneficiaries do not agree with what has been presented. She is not able to represent the Board of Education at this point, but is able to represent Utah State University and the University of Utah; and their attorneys will be looking at this and making their own presentation to the Board at a future date. She stated she felt very attacked from this presentation. Mr. Andrews stated he presented this only as "legal uncertainties".

3. Presentation of Enabling Act, Constitution, and Trust Lands Management Act - -
John Andrews (cont'd)

Mr. Lee asked Ms. Bird if she could articulate her concerns as a citizen? She stated that, as a citizen, the citizens passed that portion of the constitutional amendment because environmentalists were using that portion of the constitution to state the lands were not held in trust. That constitutional amendment was passed overwhelmingly by the citizens, and they don't like the legislature or anyone else attacking the Trust. Many people who sit on community councils are very aware of what we are doing and what the State Treasurer is doing. She is very concerned that \$500,000 to \$800,000 each year are going into archaeological projects. She thinks that is a breach of trust. She also is troubled that over 9000 miles of roads are not settled on trust lands. She is also concerned about some bad uses of the Trust.

Mr. Andrews stated he wanted to make it clear that there is a constitutional trust in Utah. The question is what happens if the voters amend the constitution? That is an uncertainty. Under the status quo without an amendment, there is no legal issue.

Chairman Ferry noted he sees Ms. Bird's concern that there is no uncertainty. Ms. Bird stated some courts have raised uncertainty. Certain issues we were not in a position to appeal further. In the Branson case and the Miner's Hospital case, there are differences. She stated you don't have to say the word "trust" for something to be a trust. She thinks maybe we should have appealed the Miner's Hospital case further up the line. She is not aware of the cases where they have not decided. Mr. Andrews stated he will get her their cites. Ms. Bird stated that maybe there are some things that need to be fixed if there are still problems.

Director Carter stated that, although he doesn't disagree with any historical points Ms. Bird made, he doesn't understand her passionate response to Mr. Andrew's presentation. Mr. Lee stated he thought the presentation was to the contrary of Ms. Bird's feelings and that it showed there is a constitutional trust. He found Mr. Andrews' presentation to be well balanced and thoughtful. He does appreciate hearing from Ms. Bird.

Ms. Rupp asked what the Board and Mr. Andrews' feelings are regarding the vulnerability of the trust and is there anything that needs to be done? Mr Andrews stated he is not aware of any effort in Utah to amend the Constitution. About four years ago, there were people looking at making some effort to amend the Enabling Act and Constitution to make some changes like Arizona has tried many times to do. We hear nothing about this now. He doesn't see threats out there in terms of the conservation movement getting some legislative traction. We can worry about what

3. Presentation of Enabling Act, Constitution, and Trust Lands Management Act - -
John Andrews (cont'd)

the courts might do in some of our cases. Ms. Rupp stated her concern is for the future. All the great people we have had on the Board have made great decisions and defended this. Is there anything we could put in place that would strengthen our position of trust for the future? Mr. McKeachnie stated he thinks that anybody that relies wholly on the law to maintain their position is on shaky grounds because that can be politically changed. The best thing is to have a good relationship with those that are making the laws.

4. Current Land Tenure - - Kevin Carter

Director Carter reviewed a map with the Board and staff showing the ownership of each beneficiary. Even though 96+ percent of our lands are school trust lands, we do have 11 other beneficiaries. He noted that sometimes it is difficult to be the trustee of many beneficiaries who have like assets. It is a complicated issue that we deal with. There is an additional one million acres of mineral estate that does not show on the map.

We still have about 1500 - 2000 acres of quantity grant lands still to select. We have about \$1.5 million in in-lieu selection credit. Quantity grant is an acreage; in-lieu is a value amount.

We have the most checkerboarded ownership pattern of any other state. Sometimes the scattered pattern is better for us and sometimes it is not. It has been advantageous for us to take advantage of mineral plays on the scattered sections. There was some discussion regarding land exchanges, getting out of monuments, etc. A new administration may create more monuments, but there may also be an increased willingness to get trust lands out of them.

Ms. Plant asked, if we see these things coming down the road, should the beneficiaries be having a meeting with our congressional delegation regarding these issues. Director Carter stated he thought Congressman's Orton's position in the congress and the Governor's relationship with the Secretary have helped us in the past. Ms. Plant asked if we are ready to say where we would trade if something further is designated? Director Carter stated we have maintained a shopping list of federal acquisitions for some time now. We have to get Congress past the "scoring" issue, or we will have a hard time doing anything.

Ms. Rupp asked if we can do anything in the trades that could get us more water? Director Carter stated we can only do that if the federal government has water rights. In the past the water rights go with the lands as they are traded.

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5. Presentation of Agency Status Quo - - Kevin Carter

Director Carter reviewed the following issues with the Board through power point presentations as follows:

a. Facilities and Fleet

- * Four Office buildings
 - * Moab (2 people)
 - * St. George (5 people)
 - * Richfield (5 people)
 - * Salt Lake (63 people)
- * 17 vehicles (plus one more authorized)
 - * 1 Sedan
 - * 16 Pickups and four-wheel drives
- * Four ATVs and three trailers
- * Inventory
 - * 90 Desktop PCs
 - * 34 Laptop PCs
 - * 24 Printers
 - * 2 Plotters
 - * 10 Servers
 - * 15 Scanners

b. Business System

Director Carter reviewed the Business System and showed some of the things it will do for us. There was some discussion as to the upkeep of the system, how it works, etc. Ms. Schneider noted most of our statements and reports are generated from one entry screen. We have streamlined it as well as we can, but there is still room for improvement.

c. Agency Processes

Director Carter showed the Board and Staff a year's worth of Director's Minutes, which is the document by which we transfer decisions that are made each week. He also showed where Final Agency Actions can be accessed on the website.

5. Presentation of Agency Status Quo - - Kevin Carter (cont'd)

d. Personnel and Duties

Director Carter reviewed each group of employees as follows:

* Board members	7
* AS (By Statute)	32
* AD (Reports to Director)	2
* B (merit-protected)	28
* AL (Time limited - may receive benefits)	6
* AJ (Time limited - no benefits)	5
* AJ Interns	4
* On contract from another agency	2
Total	86

Director Carter reviewed each individual group and showed pictures of employees within that group, explaining briefly what each group's duties are. He noted we are lightly staffed, but generally are able to keep up with everything. When we are not able to keep up, we can contract for certain things. Over half of the Staff are at-will employees.

e. Analysis of Top Revenue-Producing Leases/Contracts

* Surface	
* Grazing - Parker Mountain Grazing Association:	\$42,219
* Grazing – DWR (2 permits):	\$50,000
* SULA 1483 - Water disposal:	\$651,750
* Access MOU with DWR:	\$500,000
* SULA 1405 - Landfill:	\$444,000
* SULA 1167 - Offshore Marina:	\$240,500
* SULA 1204 - Industrial Landfill:	\$178,000
* SULA 998 - Telecommunications:	\$118,000
* Long-term agreement - Aspen Harvesting:	\$140,000

5. Presentation of Agency Status Quo - - Kevin Carter (cont'd)

- * Development - Ventures (cumulative numbers)
 - * Fort Pierce Industrial Park - \$18.8 MM
 - * Suncor - \$13MM
 - * Entrada - \$11.5 MM
 - * Sienna Hills - \$9.3MM
 - * Sun River - \$6.4MM
 - * Ivory Homes - \$3.7 MM
 - * Port 15 - \$1.6 MM
- * Development - Leases (cumulative numbers)
 - * American Ski Co. - \$2.2 MM
 - * Gateway Commercial - \$1.3 MM
 - * Coral Canyon Golf Course - \$443K
- * Mining
 - * Coal
 - * Mill Fork: \$4.442MM
 - * Westridge: \$3.02 MM
 - * Dugout: \$2.67MM
 - * Muddy: \$568K
 - * Minerals
 - * Tony M. (Uranium): \$504K
 - * Intrepid (potash): \$225K
 - * Graymont (Limestone): \$128K
 - * Sand and Gravel (by area)
 - * Washington County: \$538K
 - * Grand/San Juan Counties: \$228K
- * Oil and Gas - Gas
 - * Kerr McGee (Natural Buttes): \$9.8 MM
 - * XTO (Drunkards Wash): \$7.5 MM
 - * Chevron (Drunkards Wash): \$5.6 MM
- * Oil and Gas - Oil
 - * Newfield (Monument Butte): \$3.5MM
 - * Wolverine: \$1.2MM

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6. Management Succession Plans (May Require Closed Session) Kevin Carter

This discussion took place in closed session due to the discussion of the character and competence of individuals. The Board went into closed session at 1:05 p.m. Those attending were Board members, Director Carter, and Margaret Bird. The Board returned to open session at 2:15 p.m.

Lunch - Current Economic Status and Trends: Luncheon Speaker: Sterling Jenson

Mr. Sterling Jenson, of Wells Capital Management, was the luncheon speaker for the Retreat. Ms. Margaret Bird introduced him. He sits on the Advisory Council for the State Treasurer. He invests the Eccles Trust for Wells Fargo Bank.

Mr. Jenson stated he has been in investing for 30 years. He works for Wells Capital Management. Wells Fargo is in the process of acquiring Wachovia. He gave the Board and Staff a handout on the close of the market yesterday and reviewed it with them in depth.

Mr. Jenson noted that, in general, fear has overtaken fundamentals in this market. The time you want to buy is when fear is running rampant. If you buy today or soon, you should be well rewarded in two to three years. Mr. Jenson noted he expects housing prices to hit bottom at the end of the year and then start to get higher.

The unemployment rate is 6.1 percent now and could go to seven percent. If it goes to 10 percent or higher, the economy would be in very bad shape.

Regarding the election's affect on the market, the market really works independently of who is in office. When you attach the congress to a president, it does affect the market. At this time, he thinks the stock market is way overvalued.

Afternoon Session:

1. Oil and Gas - - LaVonne Garrison

Ms. Garrison discussed the SWOT analysis and future plans with the Board and Staff through a power point as follows:

SWOT Analysis:

Strengths:

- * Statewide land coverage to take advantage of emerging plays
- * Experienced Staff
- * Flexibility in leasing terms to maximize returns to the Trust
- * Competitive bidding system
- * Trust between TLA personnel and the oil and gas companies through years of interaction
- * Ease and convenience of dealing with TLA vs. BLM

Weaknesses:

- * Surface conflicts among the groups and from external sources, such as sale of surface estate
- * Land base is heavily leased - - nothing new to bring to the table
- * Must work with the BLM on many projects where its lands surround trust lands
- * Access across BLM lands

Opportunities:

- * Blocking up lands through exchange
- * Ability to use Other Business Arrangements
- * Increasing industry interest in Utah due to business-friendly working environment
- * Emerging plays in Mancos shale and in Paradox Formation at Greentown

Threats:

- * Urbanization
- * Volatility of the financial markets
- * Working with the BLM. Many areas will be off limits to oil and gas which devalues the trust lands that are islands within the federal ownership
- * Interference from third parties - SUWA, The Wilderness Society, private landowners, etc.

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1. Oil and Gas - - LaVonne Garrison (cont'd)

What has been done:

- * Rewrote the OG rules in 2004
- * Updated the OG lease and assignment form
 - * Reduced primary term from 10 years to five
 - * Can only hold a lease with a Shut-in gas well for five years after end of primary term
 - * Steadily expanding the areas for increased LOR from 12.5 percent to 16.67 percent
 - * Lowered the total burden allowed on TLA leases to a maximum of 20 percent
- * Made some minor changes to the statute for clarity
- * Developed Well Module within the Business System to track all the wells in which TLA has an interest
- * Developed a process within the Business System to computerize the competitive sale process
 - * Descriptions are input one time to reduce human error
 - * Provides immediate information on the sale to the public
 - * Reduced processing time to get leases out the door by 60 hours
- * Decreased the number of acres on each lease

There was some discussion regarding competitive bids - - oral vs. sealed. Mr. McKeachnie stated the Governor tries to get together two or three times a year with the oil and gas companies. In the last meeting they talked about how to better get along with the BLM and speed things up. The Governor asked if the companies could suggest a better process. The companies said to do it the way TLA does - - it is the best! Director Carter noted there are no more abuses on our lands than on BLM lands even after they have studied them for a long time.

2010 Action Plan

- * Passive partner in drilling operations
- * Decision not to hedge or take in kind
- * Uncertainty in marketplace
- * continue to administer Competitive leasing program
- * Improve information in Business System Well Module
- * Solicit companies to work on unleased blocks
- * Look for opportunities for OBAs
- * Promote working on trust lands at trade shows

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1. Oil and Gas - - LaVonne Garrison (cont'd)

Director Carter asked the Board members how they felt about taking royalty in kind. The Board decided about a year ago not to take hedge or take in kind. There was discussion as to whether we should reconsider this decision. Mr. Carlson stated it would cost us much more to do this type of thing. Mr. Lee stated this type of arrangement would take some type of “gambling” and greater risk. He doesn’t think we should do that in a trust relationship. Director Carter stated it appears there is a greater demand for natural gas for vehicles, etc. Maybe we should look at it again. Mr. Carlson stated he feels our production is very small in the scheme of things, but it is our number one asset.

Mr. Andrews stated that, if we were to do something like hedge, we would have to do a site-by-site comparison and take 25 percent of the gas to put into this arena. We would have to hire some more people to help us do this.

Mr. McKeachnie stated he thinks the price of gas fluctuates every year between seasons. He thinks we should own a gas storage facility. It was noted we do own one. It could be used to store our own gas. We would have the ability to take our gas in kind, store it in July, and sell it in January. Mr. Scales stated we are now a passive partner. Do we want to stay the course or become less passive? We have been very successful in doing things the way we do. Do we want to leave it this way or take more risks? If we want to do something different, it is going to involve risk. Director Carter noted that there may be an additional question of “is it possible to ‘bank’ the gas until it is more lucrative to sell it”? Chairman Ferry stated we need to look at whether the additional risk is worth the margin that would be there. Mr. Andrews noted that on the storage areas that we lease to others we would have to pay a storage fee also because they are FERC regulated. He thinks there might be some upstream transactions that we might be able to do.

Mr. Scales stated he thinks the question here is what level of risk are we willing to take on a project like this. Mr. Andrews said the model we could look at is the Ute Tribal model. They have been reasonably successful in getting back-end contracts. Ms. Garrison noted that, when we participate, there are lots of costs involved even after payout. Mr. Scales stated he is risk-averse also.

1. Oil and Gas - - LaVonne Garrison (cont'd)

Mr. Lee stated that, when you look at a basic trust relationship, the beneficiary expects that you act prudently. If you don't you can expect a law suit. Mr. McKeachnie noted that he thinks lost opportunity is also a risk. A prudent trustee would be penalized if he didn't earn and add value to the asset we already have with minimal risk. Chairman Ferry stated that, if we can find a increase margin with minimal risk, it would be a good deal. Mr. Scales noted that, as a fiduciary, you have to protect what we have, but also maximize to the best of our ability what we can. If we are very comfortable in doing what we are doing, that is fine. There are some areas that we could pursue and take some prudent risk. Ms. Garrison noted that, historically, royalty is more valuable than working interest because it is cost free.

The Board discussed this issue at some length including costs, additional needed staff, how do you find a company that wants us as a partner, etc.

Ms. Rupp noted that, when each Board member was interviewed by the Nominating Committee, it was noted that the Committee wanted support for the Trust, but also wanted new opportunities that could be brought forth. She feels each one of the Board members here today showed they could think outside the box, and she is grateful for that.

2011-2014 Strategic Plan

- * Maintain competitive system
- * Solicit new OBA opportunities
- * Pursue establishing mineral curriculum within the K-12 schools with industry help
- * Pursue exchange targets
- * Recruit an intern to work with mineral specialists on a part-time basis

Mr. Lee asked how we are going to address legislative exchanges, since we just can't get one done. Ms. Garrison noted she is looking at putting together some smaller exchange targets with BLM and see if we can get them done that way. Director Carter stated he has been optimistic about land exchanges, but he is hopeful that a new administration will have a renewed interest in getting us out of wilderness areas. Mr. Andrews stated that the Democratic staff who worked for Congressman Rahall has viewed the exchange as a partisan effort coming out of Utah. Maybe if we get a new administrative staff, we will have a better support with a democratic Congress, etc. We are hoping there will be less partisanship. Mr. McKeachnie stated that there is a good argument that, if an arch is on trust lands and we want to least it out, someone might be anxious to make an exchange. The Bush administration has not been anxious to do this. He noted that 29 years ago, he was in the legislature and sponsored the Project BOLD initiative.

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1. Oil and Gas - - LaVonne Garrison (cont'd)

Mr. McKeachnie asked that, if this were a private company, would we be taking some of the oil and gas money and putting it into wind energy and other alternative energy sources? Mr. Andrews stated we have been asked to do that and have declined to put money into geothermal energy with a small company.

Mr. Lee suggested that Ms. Garrison take some of these issues and look at deals to see if we can or should get into other things. He thinks what she has presented is broad enough that we could look at other types of deals. The Board generally felt comfortable that we could do anything new through the OBA process. This has been a great discussion.

2. Development - - Doug Buchi

Mr. Buchi discussed the SWOT analysis and future plans with the Board and Staff through a power point as follows:

a. SWOT Analysis:

Strengths:

- * Senior Staff with strong real estate experience with great industry contacts.
- * Strong support Staff (GIS, financial analysis, and administrative)
- * Strong land position in growth markets: Washington, Iron, and Utah Counties
- * Low holding costs for land position. Able to be patient and take long-term approach to development of lands.
- * Source of consistent available funding for capital projects allowing P&DG to increase land values.
- * Flexible transaction styles
- * Ability to trade with BLM and private parties to improve land position.

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2. Development - - Doug Buchi (cont'd)

Weaknesses:

- * Annual budgeting. Development ideally requires capital budgeting on a project-by-project basis and is projected out several years. Not able to request approvals for multi-year, non-lapsing capital budgets/commitments.
- * Very little land remaining on urbanized Wasatch Front. Land holdings are weak geographically, concentrated mainly in one market (Southern Utah). Revenue stream very sensitive to local real estate markets. No contingency plans in place for when economy falters.
- * Need proper sequencing to avoid self-competition (Coral Canyon vs. Sienna Hills).
- * Continuing income streams are limited. Need to develop additional opportunities on case-by-case basis.
- * Capital funding beyond the base budget is uncertain from year to year. Funding lapses after one year.
- * Consistent project reporting format underdeveloped.
- * No managerial succession plan. Modest compensation limits the level of experienced real estate professionals that can be hired. When hired, retention of younger trained staff members is challenging in an up-market due to private sector paying more money.
- * Limited pool of well-funded, experienced real estate development partners.
- * Too much knowledge imbedded in people and undocumented or not fully articulated.

Opportunities:

- * Large parcels allow for comprehensive planning, acquisition of valuable entitlement with open space vs. density trade-offs and capital investment in backbone infrastructure (value added).
- * Slow down in transaction volumes, allows for time to work on positioning land holding for the next real estate cycle.

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2. Development - - Doug Buchi (cont'd)

- * Create strategic plan for each yet-to-be-developed designed development parcels. Plan for each parcel to include assessment of realistic development potential and timing with appropriate exit strategy and comprehensive SWOT analysis.
- * Partner with well-capitalized, experienced real estate development partners with specialized expertise to implement value-added opportunities.
- * Identify, develop, and nurture partners and service providers to meet Group's needs. Create Standard Operating Procedure (SOP) to be followed by P&DG personnel with a section written to assist interested third parties to better understand how to conduct business with TLA P&DG.
- * Hire, train, develop, and retain top-performing personnel.
- * Continuously seek to overcome the misconception of "trust" vs. "public" lands through coordinated educational campaign.

Threats:

- * Public and municipality support is oftentimes conflicted with SITLA mission. Trust Lands perceived by majority of the public as "Public" lands. Communities expect TLA to pursue only low-profit or unprofitable niche markets.
- * Volatility of real estate market dynamics and the challenge of reacting quickly to global economic disruption.
- * Access, topography, water, and infrastructure challenges.

Regarding the budget issue listed under Weaknesses, Mr. McKeachnie suggested that we do our regular budgeting and then do a five-year budget which we can plan. Also, the State does do some "phased" budgeting. Planning ahead more than one year makes sense for us. We have an advantage because we don't use General Funds. He doesn't see TLA with any different problem than any other state agency in budgeting. Mr. Buchi noted that it is different in the real estate community, and we need to be able to act more like a private business.

Mr. Buchi showed the Board and Staff some slides of some projects that are being planned and some of the infrastructure that is being built.

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2. Development - - Doug Buchi (cont'd)

b. Action Plan

1. Develop and promulgate new development rules (R850-140) to implement the new Board policy on development. Legal to provide assistance.
 - a. Compliance with approved Board policies
 - b. Recommendations for potential modifications
 - c. Cross-reference other sections of governing rules applicable to Development rules in the Development rule section.
2. SWOT Analysis - - All Objective "E" identified parcels
 - a. Abstract for each parcel
 - b. Strategic Plan prepared for each parcel with assessment of realistic development potential and timing (entry strategy, development strategy, exit strategy)
 - c. Business Plan prepared for each parcel (including financial analysis where feasible)
3. SWOT Analysis - - All designated properties for Development
 - a. (Same as a, b, c in 2)
4. Upgrade Development Group Web Page
5. Enhance and expand vertical/joint venture opportunities
6. Master Planning (to include land-use planning, engineering & transportation studies, and entitlements)
 - a. Green Springs
 - b. Land in vicinity of new St. George Airport
 - c. Engage reputable real estate development consulting group to prepare market feasibility study and development strategy, including uses, phases, and timing for South Block Master Plan
7. Improve capital investment and revenue projections based on realistic market and timing assumptions.

2. Development - - Doug Buchi (cont'd)

8. Improve internal reporting systems, including Business System
 - a. Develop project and report specific information more useful to project managers
 - b. Rate of return for all projects
 - c. Reconstruct Fort Pierce land values to calculate IRR
 - d. Break out IRR for each beneficiary on Stage II upgrade list

Mr. Buchi noted that, at the end of 2010, he anticipates having a viable action plan on each development parcel. Director Carter asked if now is a time to invest money in infrastructure or sit back and hold off for a while? Mr. Buchi stated we need to take a hard and selective look on a project-by-project basis to see if there is justification for spending money on infrastructure as opposed to waiting five years. Part of the analysis will be to try to determine at what point would be well to invest money into the project. Director Carter asked if there is general wisdom in staying in the market at this time? Mr. Lofgren stated that no one is withdrawing entirely from the market, but putting their money in places where the likelihood of success is higher. It is a retreat to quality. Mr. Andrews stated that every dollar that is not spent is a dollar that can be invested, which seems to be a good time to buy. Director Carter noted that, because of the downturn in the market, we are getting more work done for less money. Mr. Ostler noted that there is a difference between projects you are already investing in and new ones to start.

Mr. Buchi stated he doesn't see us spending as much in "hard" costs, but more in "support costs"; i.e., planning, etc. This will create value and have the land ready to go when the market has an upswing. He noted that, in the planning and looking at all the projects, it might be determined that certain projects might not be ready for many years. In planing, we need to err on the side of caution. Therefore, we need to determine how much "support cost" is really needed to be expended.

Director Carter noted we have gotten into vertical improvements just a little. Thus far, it has been o.k. even though there is a risk. Is it prudent and should we continue to look further at these? We have partnered with good people who do quality work thus far. We have ended up with a larger percentage than we thought we would have. We have had a discussion in the past of trading land for structures and have felt that was too risky. Mr. McKeachnie stated he thinks it can be more than "is it a good business decision". He thinks we would be seen as competing with private industry. He worries that the legislature and the public could not distinguish between the "Trust" and just government competing against the public. Director Carter stated he thinks that argument is more passionate in rural Utah than in Salt Lake City, etc. The beneficiaries have suggested that we build a building to house us and them. This would be different than "competing" against private industry.

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2. Development - - Doug Buchi (cont'd)

Mr. McKeachnie stated this goes to the question of is it best to take the land we have, do the best we can with it, and then work ourselves out of a job or continue to have an ongoing income stream? Should SITLA do this or should the State Treasurer build a building? Mr. McKeachnie state he thinks this is a question for the State legislature. He indicated he feels we crossed the "competing" line when we started doing joint ventures with private developers. However, it was sill a liquidation strategy.

Ms. Rupp asked if, when the Development Group looks at development projects from the beginning, will they determine if they are still in a position to continue a development? Mr. Buchi stated that is what would be done in this process. We are just now starting to really reap the rewards of the projects. We do want to learn from the entire process that we have been through. Ms. Bird asked Mr. Lofgren and Mr. Ostler if the type of analyses we are doing is what they would be doing or would they do something else? Mr. Ostler stated he thinks the type of analysis being proposed is exactly what needs to be done, especially while the market is in a downturn. Mr. Lofgren said there is not really a private comparison because no one else has this type of land base.

THURSDAY, OCTOBER 23, 2008

Morning Session

1. Surface - Kim Christy

a. SWOT Analysis

Mr. Christy discussed the SWOT analysis and future plans with the Board and Staff through a power point as follows:

Strengths:

- * Experienced, dedicated Staff. Most are repositories of large amount of institutional knowledge.
- * Each member of the Surface Group communicates and works well with other group members and are largely capable of "filling in" for any other members of the Group when necessary.
- * Operating from recently completed overhaul of sales and leasing Board policy and Administrative rules.

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1. Surface - Kim Christy (cont'd)

- * Processes are detailed enough to protect the Agency, but simple enough to attract lessees away from public and private lands - - consistency and fairness in transactional processing, with some flexibility built in - - Favorable business reputation.
- * Staff includes persons capable of undertaking most projects in-house rather than bidding for contractors.
- * Cultural resource compliance - - flexibility, efficiency, and credibility with stakeholders.
- * Diverse landholding portfolio - - multiple opportunities.

Weaknesses:

- * Each member of the Staff has a large workload which may contribute to a slow response to business opportunities - - reactive versus proactive marketing opportunities.
- * Inability to inspect every parcel on a regular basis.
- * Access is limited to and through many parcels - - the Agency has been reluctant to assert rights of access, particularly across private lands.
- * Need for centralized administrative oversight of emerging interest in alternative energy
- * Intergovernmental fragmentation and conflict

Opportunities:

- * Demonstration of proactive conservation/stewardship practices - - complementary to our mission of generating revenue.
- * Some programs (i.e., sales) can take advantage of opportunities where processing speed is not essential; i.e., nuisance value.
- * Carefully executed land exchanges - - better revenue-generating opportunities and more efficient management of resources.

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1. Surface - Kim Christy (cont'd)

- * Increased flexibility in transactional structuring; i.e., leases can be issued for less than full-market value with inclusion of termination clause in the lease.
- * Land base large and diverse enough to allow for viable sale program even in economic "hard times"
- * Booming oil and gas activities result in significant market for ancillary facilities on surface estate.

Threats:

- * Continued noise from some stakeholders to change mandate.
- * T & E species, wilderness, critical wildlife habitat areas.
- * Large land blocks lend themselves to difficulty in asserting our mandate.
- * Insect damage to most, if not all, of the timber resource.
- * Fire susceptibility of large land blocks
- * Resource degradation attributed to undisciplined, expanding OHV and camping use
- * Depressed economic conditions may reduce opportunities for the leasing and timber programs

Ms. Bird asked if the weakness of being reactive could be changed if they had another Staff person? Mr. Christy stated that we possibly could reposition some of our Staff time to help in this area. We have additional interests showing up in alternative energy projects. We may need to have more Staff to work in this area.

Mr. McKeachnie noted that one of the strengths is that we have experienced Staff. Does this translate to a weakness of many of them being gone in a few years? Mr. Christy stated it could be added to the list of weaknesses even though we have some Staff who are younger and newer to the agency?

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1. Surface - Kim Christy (cont'd)

Ms. Bird asked if it would be smart to put a couple of sections together so that it would give us at least 1000-acre blocks for development, etc., but not be too big? Director Carter noted we are looking at smaller administrative land exchanges that we may be able to finish and concentrate on lands that are similar enough in mineral and surface values that it could be accomplished. Even smaller exchanges, however, are time and money costly. To do it to just facilitate grazing only would not be cost effective. There may be some opportunities, however, to do this type of thing.

Chairman Ferry asked if we had taken the opportunity to look at other agencies to see if there was any opportunity to exchange lands with them? Director Carter stated the only agency who would have some useful lands for us is probably the Division of Wildlife Resources. Mr. Andrews noted we met with the Governor's Office of Economic Development, and their representative had stated there are some agencies who have lands the agencies don't even know they own. The Governor's Office is trying to get a little more control of this issue as far as what lands other agencies might own. Ms. Rupp asked if we had also looked at this same issue with cities and counties. Mr. McKeachnie stated universities might have some lands that we could also look at.

Mr. Carlson asked whether or not making a split estate in land sales is an issue. It was noted this is a threat to Minerals, not necessarily Surface. However, Mr. Christy stated that, if there is a mineral threat on a surface action, they don't do it.

b. FY 2010 Action Plan

- * Memorialize grazing fee formula
- * Rewrite OHV Administrative rule
- * Rewrite cultural resources rule
- * Perfecting easements - - RS 2477 road claims
- * Hold/sell sales protocol

1. Surface - Kim Christy (cont'd)

c. FY 2011 - 2014 Strategic Plan

- * Water rights - - protection and acquisition
- * Administrative oversight of alternative energy opportunities
- * Proactive versus reactive marketing
- * Resource degradation attributed to undisciplined OHV use
- * Forest Health

Mr. McKeachnie suggested that exchanges with sister agencies should be on one of the plan lists. Mr. Brown stated the value of this Retreat is that Staff does SWOT analyses. The action plan should then correlate with them. He sees that sometimes they do and sometimes they don't. He would encourage Staff to make sure their action plans address the weaknesses and threats. He also stated that Staff should not be afraid to tell their peers that this is a threat, but it is theirs to deal with.

Mr. Lee asked more about who is trying to change our mandate. There was some discussion about this issue. He stated he does not agree that this is a threat. We need to be careful not to make it an issue ourselves. Director Carter noted he does run into some legislatures once in a while that want to "tinker" with it. Ms. Bird stated that the school Community Councils can help counter that as there are about 5,000 - 7,000 people that would fight for this. It was noted that our PR people and others could attend some of her meetings of the school people. Director Carter noted we do this and even sponsor breakfasts, etc.

2. Mining - - Tom Faddies

Mr. Faddies indicated he manages the Mining Group like a vice-president of exploration of a mining company would manage - - the manager pulls a shift just like the other employees. He noted that the Mining Group uses pipeline charts to keep track of projects in the different commodity areas. They update these charts quarterly. He showed charts on different projects. He showed the Board a SWOT analysis on each commodity.

Metalliferous Minerals SWOT:

Strengths:

- * Research of Utah's mineral resources serves to identify mineral occurrences on trust lands
- * Increased knowledge of minerals resources on trust lands allows for more favorable other business lease agreements.
- * Utah is known to be mineral-development friendly
- * Permitting requirements on trust lands are less restrictive than on Federal land
- * Excellent working relationship with Utah's mineral producers

Weaknesses:

- * Identified mineral deposits on trust lands are of a lower grade than the large, high-grade discoveries in the 1800's.
- * Metalliferous minerals occurrences are less predictable than other mineral occurrences
- * Scattered trust lands may be difficult to access due to Federal restriction and environmental constraints on adjacent Federal land

Opportunities:

- * Opportunities increase with additional research of mineral occurrence on trust lands
- * Acquisition of minerals land through exchange of land with the Federal government
- * Increased worldwide demand for metalliferous minerals

Threats:

- * Foreign production is generally less costly
- * Presently the Federal government requires no production royalty on locatable minerals from Federal land
- * Demand may decrease as worldwide production increases. Presently the worldwide market for metals is at a high cycle.

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2. Mining - - Tom Faddies (cont'd)

Coal SWOT

Strengths:

- * Four longwall coal mines in production (Deer Creek, Sufco, West Ridge, Dugout Canyon)
- * Land position in all major Utah coal fields
- * No federal NEPA requirement to lease the Exchange tracts or to lease traditional trust coal lands
- * Favorable working relationships with the coal industry

Weaknesses:

- * Scattered school sections do not make good stand-alone coal mines
- * Thin coal seams on many of the scattered school sections
- * Limited field staff with which to more closely monitor mining operations
- * Royalty stream is unreliable due to geological and mining uncertainties within producing mines

Opportunities:

- * Federal land exchanges to consolidate scattered school sections into mineable blocks
- * "Turtle" money to buy more coal resources within Exchange tracts
- * Unleased coal blocks (North Horn, Fremont, Green's Hollow, Price) to be leased
- * Trade back into the Kaiparowits Plateau coal field

Threats:

- * Trust lands within presently operating mines will be depleted within next few years and coal revenues will dry up unless new mines come on line
- * All coal resources in Utah will be mined out within 30 years?
- * Conflict with oil and gas leasing
- * Conflict with federal WSAs and endangered animal species

Common and Hi-Cal Limestone and Dolomite SWOT

Strengths:

- * Abundant limestone resources available nearly statewide
- * Larger companies with long-term and consistent production
- * Versatility of commodity for lime, cement, building stone, and aggregate
- * Permitting on trust lands is more advantageous and less costly than on Federal lands

Weaknesses:

- * Declining use for steel making and smelting operations
- * Controlled business environment
- * Downturn in construction demand
- * Remote locations of highest quality materials
- * Lack of detailed reserve data and chemical and physical analysis of materials available to meet specific market needs

Opportunities:

- * Rising price (now over \$80/ton for quicklime) may encourage development
- * Increasing demand for limestone as aggregate and building stone
- * Increasing demand and price for fertilizer, flue gas, and water treatment
- * Capital on BLM leasing constraints

Threats:

- * Large existing limestone operations on fee and federal lands
- * Environmental constraints on lime-cement with about 44 tons of CO² for released each 56 tons of quicklime produced may push lime and cement production out of US market with more imports from Canada and Mexico
- * Increasing production and transportation costs
- * Recycling/regeneration of lime

2. Mining - - Tom Faddies (cont'd)

Geothermal SWOT

Strengths:

- * SITLA has a land position in most of the known potential geothermal resource areas in Utah
- * SITLA has a constant royalty revenue-producing interest in the Blundel (Roosevelt) electrical generation plant
- * Utah's second geothermal electricity generation plant, being developed by Raser Technologies, is entirely on trust lands.
- * Geothermal development in Utah is focused on trust lands because of lack of federal regulations for management of federal geothermal resources on BLM land and permitting constraints on BLM land

Weaknesses:

- * Utah has limited geothermal resources as compared to California, Nevada, and other western states with known geothermal resources
- * Utah's geothermal resources are small compared to other geothermal resources in other western states

Opportunities:

- * Acquisition of additional geothermal resources through land exchange with BLM
- * Expansion of the Blundel generation plant's capacity will create more royalty revenue for the Trust
- * SITLA has an excellent working relationship with operators who prefer to locate geothermal generation facilities on trust lands as opposed to federal lands
- * Interest in renewable energy resources will likely result in additional development of geothermal resources on trust land

Threats:

- * To encourage geothermal development on BLM land, the federal royalty rate will be lower than that required by SITLA
- * Private lands with geothermal resources
- * Industry is focused on those states with abundant geothermal resources

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2. Mining - - Tom Faddies (cont'd)

Gilsonite SWOT

Strengths:

- * The solid hydrocarbon, gilsonite, is unique only to Utah
- * The locations of all known gilsonite resources have been identified on trust lands
- * Demand for specialty gilsonite products, including drilling fluid, has increased and is expected to remain high
- * Permitting of mines on trust lands is not as restrictive as permitting on BLM land

Weaknesses:

- * Royalty revenue from mining of gilsonite is unpredictable due to the scattered trust lands ownership
- * Gilsonite veins on trust lands are generally smaller than those found on patented lands

Opportunities:

- * Acquisition of additional gilsonite resources through federal land exchanges
- * Favorable working relationship with gilsonite producers
- * Non-producing gilsonite leases are being placed into production through readjustment of lease terms as provided in the lease agreements
- * Gilsonite resources on private land are approaching the end of their mine life compelling producers to seek resources on trust land

Threats:

- * Synthetic products are increasingly in competition with gilsonite products
- * Production from patented land and unpatented mining claims imposes no production royalties on the producer

2. Mining - - Tom Faddies (cont'd)

Oil Shale SWOT

Strengths:

- * Five land blocks (Bonanza, Holliday, Magic Circle, Sand Wash, Seep Ridge)
- * Land position in all depths and grades of oil shale, allowing for deep mines, surface mines, and in-situ technologies
- * No federal NEPA requirement
- * Good reputation working with industry

Weaknesses:

- * Poor road access to many trust land parcels
- * Split lease ownership in the land blocks
- * Oil shale recovery technologies are unproven
- * Large-scale production requires massive capital investment

Opportunities:

- * Achieve first commercial production of oil shale in Utah (Red Leaf Resources project)
- * Competitively bid oil shale trust lands coming open for lease and/or negotiate OBAs
- * BLM currently has no oil shale leasing regulations to compete with trust lands
- * Federal land exchanges to enhance resource position

Threats:

- * Conflicts with conventional oil & gas leasing and development
- * Federal mining claims
- * Air quality and permitting limitations in the Uinta Basin
- * Unstable oil & gas prices

Bituminous/Asphaltic Sands (Tar Sands) SWOT:

Strengths:

- * SITLA has large contiguous land blocks that encompass extensive deposits of tar sands.
- * Competitive lease of tar sands resources has returned significant revenue to the Trust
- * Permitting of mines on trust lands is not as restrictive as permitting on BLM land
- * Tar sands development in Utah is focused on trust lands because of lack of federal regulations for management of federal tar sands resources on BLM land and permitting constraints on BLM land

Weaknesses:

- * Remote location of large tracts of tar sands may prohibit development
- * Technology for extraction of bitumen from tar sands has not proven to be economically viable
- * Environmental constraints may prohibit development of large tracts of land that are required for open-pit development of tar sands

Opportunities:

- * High cost for traditional hydrocarbon energy resources has increased opportunities for development of tar sands
- * As of April, 2005, the TLA removed tar sands from the old combined Oil, Gas and Hydrocarbon lease agreement allowing for lease of tar sands separate from OG
- * The private sector has a strong interest in development of tar sands resources

Threats:

- * Increased development of traditional hydrocarbon resources could make development of tar sands uneconomical
- * Large tracts of tar sands are included as a lease commodity under the old combine Oil, Gas and Hydrocarbon leases where the oil and gas producer has no intention of developing the tar sands resource.

2. Mining - - Tom Faddies (cont'd)

Potash SWOT

Strengths:

- * Worldwide demand for potash has significantly increased royalty revenue from the two producing potash mines in Utah. SITLA has a land position in both mines.
- * There are significant potash deposits in the Paradox Formation that are found at depths over large areas of southeast Utah
- * Competitive lease of potash resources has returned significant revenue to the Trust
- * Permitting of mines on trust lands is not as restrictive as permitting on BLM land

Weaknesses:

- * Environmental constraints may prohibit development of trust lands in southeast Utah
- * Development of potash from the Paradox Formation in southeast Utah may be in conflict with oil and gas development from the same formation
- * Potash deposits in southeast Utah are in environmentally sensitive areas which may complicate potash development
- * Scattered trust lands may be difficult to access due to Federal restrictions and environmental constraints on adjacent Federal land

Opportunities:

- * Scattered sections of trust lands in southeast Utah are well situated over the potash deposits of the Paradox Formation
- * Increased production royalties on potash produced from trust land
- * There is strong private-sector interest in developing Utah's potash resources
- * World market demand appears to be expanding

Threats:

- * Demand may decrease as worldwide production increases
- * Competition from large Canadian and New Mexico potash deposits
- * Solution mining of potash requires large evaporation ponds which would encumber other development on the same lands.

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2. Mining - - Tom Faddies (cont'd)

Sand & Gravel SWOT

Strengths:

- * Strong working relationship with industry
- * System of permitting less onerous than federal government (BLM)
- * In-house knowledge
- * Rapidly growing inventory base

Weaknesses:

- * Lack of material in high business areas of the state
- * Numerous small operations increase time and costs of management of program
- * Product prone to theft

Opportunities:

- * Expanding business in state
- * New business opportunities linked to alternative energy sources
- * Wasatch Front development industry offers market opportunities for sand and gravel and road aggregate from western Utah, Tooele, and Juab Counties

Threats:

- * Unpopular business with general population
- * Strong competition from fee land
- * Large companies prefer to own resource base
- * Pressure from clients to bring materials into market prematurely

Stone SWOT

Strengths:

- * Resource position is held in numerous varieties of stone throughout the state
- * Several varieties of stone have unlimited supply upon trust lands
- * No federal NEPA requirement
- * Numerous potential clients/operators

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2. Mining - - Tom Faddies (cont'd)

Weaknesses:

- * Difficult to monitor production of stone that is harvested from the surface
- * Some contracts require too much staff time dealing with administrative problems for the amount of revenue that is generated
- * Quarried lands are difficult to economically reclaim and are unsuitable for many post-mining land uses

Opportunities:

- * Increased prices consistent with market demand
- * Offer select lands for lease by competitive bid
- * Take royalties in kind and establish retail outlets to sell directly to the public
- * Enter into business partnerships or joint ventures with stone operators

Threats:

- * Trespass
- * Archaeology-clearance expenses for operators
- * Competition from BLM lands and private lands
- * Severed surface estate

Gypsum SWOT

Strengths:

- * Land position within several known gypsum resource areas in Utah
- * Gypsum resource areas are readily accessible by roads and highways

Weaknesses:

- * A relatively low-price mineral commodity
- * Trust land leases require royalty payment, while federal mining claims do not
- * Commercial grade gypsum deposits are not abundant in Utah, while nearby Arizona has a thriving gypsum industry

2. Mining - - Tom Faddies (cont'd)

Opportunities:

- * Gypsum board manufacturing plant located in Sigurd, Utah
- * Offer unleased trust lands containing known gypsum resources for lease by competitive bid (lands are currently withdrawn)

Threats:

- * Competing production from mining claims on federal lands
- * Encroachment of surface developments upon gypsum deposits (St. George area)
- * Efforts to designate lands as a WSA, National Monument or other preserve which may restrict mining activities (San Raphael Swell)

Humic Shale SWOT

Strengths:

- * Two producing mines located upon trust lands
- * Land position is strong in areas containing known Humic Shale resources in Utah
- * No federal NEPA requirement
- * Products manufactured from Humic Shale command a relatively high price

Weaknesses:

- * Manufactured food supplement products utilizing Humic Shale require only a small amount of the raw material, thus low production tonnages
- * Inexpensive rail transportation is needed to market high-volume production of agricultural Humic shale

Opportunities:

- * Perform an inventory and offer trust lands containing known Humic Shale resource for lease by competitive bid
- * Humic Shale mines require relatively little acreage (a single scattered section of trust land can accommodate a mine)
- * Increase lease rental and royalty rates
- * BLM regulations are ambiguous regarding the disposition of Humic Shale resources (leasable, saleable, or locateable)

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2. Mining - - Tom Faddies (cont'd)

Threats:

- * Conflict with coal resources, which occur in conjunction with many Humis Shale deposits
- * SMCRA (coal mining regulation) exercising dominion over efforts to develop Humic Shale deposits due to the close association with coal deposits
- * Trespass

Volcanic Materials SWOT

Strengths:

- * Resource position held in several areas containing pumice/perlite in Utah
- * No Federal NEPA requirement
- * Near-rail transportation is available for pumice/perlite production

Weaknesses:

- * Utah is a minor source of pumice/perlite in the world market
- * Pumice/perlite is a relatively low-price mineral commodity
- * Few pumice/perlite manufacturers in U.S.

Opportunities:

- * Perform comprehensive inventory of trust lands for pumice/perlite and offer unleased lands by competitive bid

Threats:

- * Trespass
- * Competition from BLM lands

2. Mining - - Tom Faddies (cont'd)

Clay SWOT

Strengths:

- * Land position in many known clay deposits
- * No federal NEPA requirement
- * Close working relationship with Utah brick industry

Weaknesses:

- * A relatively low-price mineral commodity
- * A small production tonnage goes a long way in manufacturing most clay products
- * Demand for particular brick clay colors is fickle, depending upon tastes and preference of the consumer
- * Trust lands clay leases require royalty payment, while BLM mining claims for bentonite or kaolinite do not

Opportunities:

- * Inventory trust lands for bentonite and for clay colors that are in high demand by the brick industry
- * Drilling activity is high in Utah (demand for drilling muds)
- * Two brick manufacturers located in Utah

Threats:

- * Trespass
- * Competition from BLM materials sales of clay on federal lands or mining claim for bentonite or kaolinite
- * Surface development infringing upon trust land clay operations and resources in Utah County (Saratoga Springs)

2. Mining - - Tom Faddies (cont'd)

Phosphate SWOT:

Strengths:

- * Deposits of phosphate are well known in Utah and the largest deposit on trust lands has been under exploration for a number of years
- * Phosphate on trust lands is in a large contiguous land block which is required to economically produce phosphate
- * Recently there has been an increase in the demand for phosphate as an additive to fertilizer
- * Permitting requirements on trust lands are less restrictive than on federal lands

Weaknesses:

- * Transportation of the phosphate ore to a facility that can presently upgrade the ore to a marketable product may be uneconomical
- * Production of phosphate from trust lands would be in an environmentally sensitive area and has already received intense opposition from local communities
- * Split estate ownership renders a known phosphate resource on trust lands uneconomical
- * Known resource base appears decades away from production

Opportunities:

- * Acquisition of phosphate lands through exchange of land with the Federal government
- * Opportunities increase with additional research of phosphate resources on trust lands

Threats:

- * The largest producing deposit of phosphate in Utah is privately held. This deposit has decades of mine life remaining.
- * Neighboring states also have significant deposits of developable phosphate.

2. Mining - - Tom Faddies (cont'd)

b. FY 2010 Action Plan - - Key Strategic Points

- * Lands must be available to industry
- * Minimize severing surface from mineral estate on SITLA lands and avoid acquiring severed estate lands.
- * Continue to position our material lands (limestone, rock, sand and gravel) in key consumption areas (Wasatch Front, Grand, Uintah, and Washington Counties)
- * Maintain the high quality level of the Group Staff
- * Expand, update, and monitor the agency key inventory data base systems in regards to group resource base.
- * Capitalize on results of the above action to monetize the assets via the OBA and competitive bid processes
- * Continue to operate with core-level staff and meet increased production and productivity levels with consultants
- * Maintain and improve the high quality working relations with industry, state, and federal agencies

Action Items - - FY 2010

- * Facilitate the permitting process for the Cottonwood Coal Tract
- * Work towards leasing the following coal tracts: Deep Muddy, North Horn, Freemont Jct., Hidden Valley, Willow Creek, and Alton
- * Monitor production from Mill Fork, Muddy, West Ridge, and dugout tracts to insure maximum economic recovery of the coal resource
- * Continue to position the sand and gravel resource base for future sustainable production to serve the following key areas: Wasatch Front, Southwestern Utah, Uinta Basin, and Southeastern Utah. Avoid overproduction of the asset.

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2. Mining - - Tom Faddies (cont'd)

- * Utilizing the data base systems generated for base and precious metals deposits, uranium, geothermal, potash, and limestone, pursue lessee's for specific projects; i.e., Blawn Mtn.
- * Upgrade tactical plan for sand and gravel and other minerals to level of coal plan.
- * Evaluate various models for escalation and other diligence for extending mineral leases beyond primary term.
- * Move towards an even higher level for proactive issuance of leases and permits.

The Board and Staff discussed mineral issues briefly. Mr. Faddies noted there are areas where we have the main sand and gravel resources. Director Carter asked if we should be putting a ceiling on sand and gravel. Mr. Faddies noted we should not mine those resources until the market is right and we can get the best price for them. We need to put product into the market at the right price so that we don't drive down the market.

Director Carter noted oil shale comes up often because of the vast resource in Utah. He has seen a forecast that on trust lands there are 13 billion barrels of oil from oil shale. Our income would be \$97 billion if that were all recovered. There is serious value in that resource if it can be mined. Mr. Faddies noted we need to keep our oil shale blocks as unencumbered as possible so that, when the time is right, we are able to lease it. We need to keep our eye on that resource. Right now anything that is substantive that is happening in Utah is happening on trust lands. Economic oil shale development will happen first on trust lands.

Mr. Andrews noted that we may have some opportunity with the new administration to do some exchanges in hard minerals. We have acquired some lands from the feds with unpatented mining claims and then passed them on to the private industry. The companies are willing to pay us to be able to mine to avoid the federal permitting costs. We need to be very proactive now and early in the next administration in pushing this idea. Chairman Ferry noted that should probably be part of Mr. Faddie's strategic plan.

Afternoon Session

1. IT - - Jeff Roe

Mr. Roe noted the administrative groups will be discussed now. They are more reactive to what is going on in the business units, along with trying to be forward thinking. Mr. Roe reviewed the IT SWOT analysis.

Strengths:

- * Highly skilled, motivated, and dedicated staff
- * Interoperability of entire IT staff internally and communication with entire agency
- * Mature and complete Business System that encompasses entire land inventory
 - * Business System can process all agency business activities
 - * Segregate and disperse revenue to 12 beneficiaries
- * Soon-to-be-completed GIS inventory that encompasses entire land inventory
 - * Maintains complete graphic ownership and contract/lease database with new automated platting system
 - * Maintains the State's statewide ownership layer for coordination with federal, state, county, and private entities
- * Off-site storage of our daily, weekly, monthly, and annual backup tapes

Weaknesses:

- * Constantly changing IT environment/resources
- * Agency opts for five-year replacement schedule for desktop/laptop resources
- * Aging software platform for agency Business System
- * Limitation of Business System to accommodate new business models
- * Need to update GIS positional accuracy with every change in base coordinate system maintained by BLM

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1. IT - - Jeff Roe (cont'd)

Opportunities:

- * New software and hardware that can enhance agency operations
- * New services or service provider opportunities
- * Coordination (i.e., ownership verification, editing) with federal, state, county, and private land-management agencies
- * Attract business opportunities through the agency web site
- * Involvement in statewide GIS Strategic Plan
- * Developing ability to process business activities through agency web site

Threats:

- * consolidation into the Department of Technology Services (DTS)
- * Interference from DTS
- * Software platform for Business System and other major applications may disappear without notice
- * Security threats to IT resources (viruses, Trojan horses, root kits, malware, etc.)
- * Loss of coordination with federal, state, county, and private entities.

In the discussion of GIS, Ms. Bird raised the question of whether we have the ability to compare quantity grant acreage with what was actually obtain in the quantity grant list to make sure that the federal government doesn't owe us more acreage for certain beneficiaries. Staff will check into this.

1. IT - - Jeff Roe (cont'd)

FY 2010 Action Plan

- * Support current primary systems
 - * LMBS (Business System) - - Bugs & Enhancements, BSUG meeting
 - * Bug tracking system
 - * Archaeology system - - ties to state Archives/archaeology
 - * GIS System/title problems committee, deploy new platting system
 - * Other systems - - Adobe, Novell, GroupWise, backups (Veritas on LTO tape technology)
 - * Wireless and remote access systems - - increasing technology requirement
- * Procurement process - - continue with replacement cycle
- * Scanning project - - GIS & Legal
 - * Large format scanner acquisition (FY 2009)
 - * Possible need to purchase document/image server
- * Payment portal completion
- * Groundwork for LMBS (Business System) 2.0 - Detailed design for budget request (September 2009)

FY 2011 - 2014 Strategic Plan

- * Complete LMBS (Business System) 2.0 - FY 2011 through 2012
 - * Includes archaeology and Bug Track system
- * IT Marketplace – hardware, software, services
 - * Future of Microsoft
- * New business arrangements
- * Future connectivity - - cell phones?

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2. Public Relations - - Dave Hebertson

SWOT Analysis

Strengths:

- * Professional, degreed employees - - BS and MBA
- * Institutional knowledge
- * Large photo database
- * Good equipment and software
- * Use of outside contractors instead of maintaining full-time staff
- * Stakeholder oriented

Weaknesses:

- * Sometimes not informed on critical issues
- * Difficulty in handling unplanned expenses
- * Cannot provide full range of PR activities in-house
- * Succession

Opportunities:

- * Use of internet technologies
- * Promotions to targeted stakeholders
- * Relations with other state/federal agencies
- * Create a new public positioning statement for TLA
- * Promote business activities related to energy crisis
- * Promote ease of doing business with TLA

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2. Public Relations - - Dave Hebertson (cont'd)

Threats:

- * Legislative restructuring of agency
- * Those who want to use trust lands for free
- * General misconception of “trust” vs. “public” lands
- * Prejudicial “green” media (Tribune)
- * Agency reluctance for mass-media institutional advertising
- * Loss of staff

There was some discussion regarding whether TLA should be using trust dollars for mass media advertising. It was generally felt that it would have to be on advertising that would actually increase the money we make and not just be “advertising”. Ms. Bird noted that maybe we could get some of the oil companies to pay for some advertising we could do in their support. Mr. Scales stated that most oil companies only participate on global issues. Ms. Garrison also stated she doesn’t think it is to our advantage to make it public as to where we are leasing, etc., and would not benefit us. After some discussion, it was generally agreed that the low-profile strategy is best for us.

Mr. McKeachnie stated that, whenever we get into self-preservation or patting ourselves on the back, it causes us problems. Ms. Rupp noted the process the agency has of sending out news articles is very helpful, but she never sees anything that the agency has responded to. Mr. Hebertson stated responding to articles is not the best thing for us to do generally.

Strategic Objectives

- * Create public awareness of the Trust Lands Administration
- * Improve public understanding of TLA
- * Build public support for TLA

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2. Public Relations - - Dave Hebertson (cont'd)

General Assumptions

- * There is little knowledge of trust lands in the general population
- * Almost everything we do irritates someone

Action Plan:

- * Regular contact with reporters and media
- * External publications
 - * News releases
 - * Brochures
 - * Video
 - * Annual report

Mr. Buchi noted that it would be helpful to create some talking points so that all of our Staff members are saying the same things. Mr. Hebertson noted the Director has a great TLA 101 presentation that he makes to groups as needed. Our research indicates we have made in-roads in this area. Mr. McKeachnie stated Staff could get on a “speaker’s” list and give luncheon talks, etc., regarding trust lands. He noted “we would worry less about what others think of us if we realized how seldom they do!”

Mr. Lee stated that small-town newspapers are always looking for articles. Is it possible to prepare an article on trust lands on a regular basis? Mr. Hebertson stated we have a brochure that basically says our message. Mr. Lee noted that newspapers like something sent to them for publication. Mr. McKeachnie noted that DWR has a 10-minute spot on the Vernal radio station. He wonders if we could do something like that for trust lands. Mr. Lofgren noted that we need to identify our audience and tailor something to them. Ms. Bird stated they could send a “trust lands update” to all the school community councils regarding what Trust Lands is doing. Mr. McKeachnie suggested this could be done once a month. The same article to school councils could be reformatted and sent to the radio stations. He thinks many of them would use it often.

Mr. Hebertson stated we have looked at our audiences. One is the legislature. The Director and Mr. Christy have done a great job with them. We have many others that we work with.

3. Auditing - - Ron Carlson

SWOT Analysis

Strengths:

- * Understanding SITLA royalty basis for oil, gas, coal, and other minerals
- * Understanding SITLA percent rent basis in commercial and ground leases
- * Experience in discovering negotiating and settling audit discrepancies
- * Success in working with royalty payors towards property reporting
- * Good relationships with outside auditors and other agencies
- * Long-term staff, great teamwork, and good communication with group
- * Knowledge of SITLA accounting and business systems

Weaknesses:

- * Knowledge of real estate business practices
- * Time for internal audits
- * Terminology awareness across the breadth of industries SITLA interacts

Opportunities:

- * Improve knowledge in alternative energy and real estate practices
- * Internet based royalty reporting could enhance Audit Group's ability to detect reporting errors and identify audit discrepancies
- * Provide royalty reporting training and increase profile among royalty payors
- * Work with IT Group to enhance information needed for discovering missing revenues

3. Auditing - - Ron Carlson (cont'd)

Threats:

None listed

Mr. Lee noted that he thinks a “long-term Staff and great teamwork” could also be considered a weakness in that it is easy to get complacent in those situations. Mr. Lee asked about the Board audit committee and if it is working. He doesn’t think they did much when he was on it. Mr. Carlson stated at that time the committee was working on the charter. That is done now, and the committee is doing other things. They meet twice a year, but that is probably not often enough. Mr. Lee noted he has a sense that the audit committee isn’t working and he doesn’t remember a report. He is suggesting that this is a weakness.

Mr. Lee asked how often we get audited by legislative auditors and state auditors. Director Carter stated the legislative auditor’s audit about every 10 years. The State Auditors audit us every year. For a few years, the Board paid the state auditor to do a more in-depth audit annually. We quit doing that after nothing was found for about three years. Mr. Andrews noted the Board should probably still have one of those audits done about every three years. It was noted we do some internal audits, but might should be doing more of them. Mr. Scales suggested that, at the next audit committee meeting, the issue of internal audits be brought up and discussed.

Mr. McKeachnie noted an auditor can be a very valuable part of the management team if they can help find things and fix them before they get out of hand. They are the eyes and ears of the CEO.

Action Plan

In terms of an action plan, Mr. Carlson showed the Board his audit targets for FY 09. They try to audit the largest payors. He will also do some internal audits, write a risk document, and audit a vendor. In addition, they look at bond releases and companies who file for bankruptcy.

Strategy

- * Leases in production
- * Largest remitters
- * Coordinate with administrators

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3. Auditing - - Ron Carlson (cond't)

- * Other revenue compliance tasks
 - * Lease assignments
 - * Bond releases
 - * Bankruptcy notifications
- * Internal Reviews
- * Recurring: Service providers
 - Petty Cash
 - Fleet Services
- * Single: Assigned by Director

Mr. Carlson noted we have MOU's with DOGM and the Tax Commission and meet three times a year with them to coordinate audits. Mr. McKeachnie noted it is important that reports from all entities be reconciled in audits.

4. Accounting - - Lisa Schneider

SWOT Analysis:

Strengths:

- * Well-trained staff that is cross-trained in each other's position for maximum coverage of duties
- * Financial systems that are flexible so that transaction can be accounted for properly

Weaknesses:

- * Human error
- * Lack of communication which can lead to errors

4. Accounting - - Lisa Schneider (cont'd)

Opportunities:

- * More advanced use of the capabilities of the systems in place
- * Continuing education of staff to be well versed in the agency and its business dealings

Threats:

- * System downtime
- * New contracts with terms that are not entered into the Business System correctly
- * Increasingly complex deals that may not be compatible with the present set up on the Business System
- * New GASB regulations that could alter the way the agency is able to report its issues

Ms. Schneider noted that accounting is pretty much in a cycle where things are planned for them; i.e., budgeting, etc. We did just split out the minerals groups' budget and now have two budgets for them - - one for oil and gas and one for mining. Accounting also reviews all the purchasing contract and watches that groups don't spend more money than they have.

5. Legal - - John Andrews

SWOT Analysis

Strengths:

- * Understanding of agency legal needs
- * Developed systematic processes for completing most agency transactions
- * Ability to hire talented young counsel due to attractive work profile

5. Legal - - John Andrews (cont'd)

Weaknesses:

- * Limited in-house ability to document complex transactional matters or engage in larger litigation without disrupting other projects
- * Limited transactional deal skills in legal group for some more complex transactions
- * Limited time and transactional deal skills in some working groups require substantial legal time commitment on business points/environmental
- * Compensation structure inadequate to hire higher-level transactional lawyers

Opportunities:

- * Better development of templates for transactional use
- * Opportunities for training of working group staff to reduce transaction times
- * Opportunities for training of legal staff in development transactions

Threats:

- * Loss of staff requiring retraining

Associate Director - - SWOT Analysis of Land Tenure Issues

Strengths:

- * Scattered sections give TLA participation in most major mineral plays
- * Development opportunities in fast-growing areas
- * Reasonable working relationships with environmental community for promotion of land tenure adjustments
- * Good working relationship with Utah congressional delegation

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5. Legal - - John Andrews (cont'd)

Weaknesses:

- * Limited in-house staffing to pursue land exchanges
- * Current adversarial congressional process; limited desire from committee staff to help Utah

Opportunities:

- * Potential greater administration desire to pursue land exchanges due to desire to protect federal lands
- * Legislative opportunity for more flexible in-lieu process
- * Training opportunity for staff to pursue exchanges
- * Multiple targets for acquisition with significant income potential for Trust

Threats:

- * Coordinated environmental effort to restrict mineral development on federal lands likely to increase momentum after election
- * Possible executive withdrawals of public lands (monuments, other executive order)

Working Plan

Mr. Andrews noted that the working plan for the upcoming year on both of these is to be working on legal training issues, etc., and upgrade the agency's environmental capacities. On land tenure, we need to be engaging with the new administration early on and explaining our issues to them.

Ms. Rupp asked if Mr. Andrews and his staff are under the Attorney General's office and, if so, could they prevent us from moving forward on exchanges, etc. Mr. Andrews stated the statute says the Attorney General is the Utah counsel, and the statute allows us to have our own in-house counsel with the consent of the Attorney General. We are employees of TLA, but

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5. Legal - - John Andrews (cont'd)

theoretically serve under the direction of the Attorney General. Staff has a blanket designation on transactional materials. The Attorney General has asked that he approve our litigation on a case-by-case basis. We have only had one instance where the Attorney General has weighed in. The statute allows the Board to hire outside counsel with the consent of the Attorney General. Even though they have not prevented us from doing things, that possibility does exist. Our statute was drafted prior to the Attorney General's opinion that stated that the State Trust Lands has a right to maintain its own counsel. There are some real advantages to having the Attorney General's office on our side, however. Mr. McKeachnie stated that listed as one of the weaknesses is the compensation. Is that because we are on the Attorney General's pay scale? Mr. Andrews stated we are not on that scale.

Mr. McKeachnie stated one of the things he has noticed in working with the Attorney General's office is that the main difference between private practices and the State Attorney General's office is that, in the private sector, the client is the boss and has a budget. In the AG's Office, the attorney is the boss and has no budget. There is kind of a habit in state government that the lawyer makes the decisions because the client is absent. How we spend legal dollars is an area we should look at. He thinks the billable hour for lawyers is a bad thing because it tends to cause them to redo and redo.

Mr. McKeachnie stated that, regarding the weakness of lacking transactional skills, who is being trained for this? Mr. Andrews stated Michelle McConkie and Stephanie Barber-Renteria are being trained. He stated that our limited time to spend on a project is not necessarily because of budget, but because of time limits. We have a real incentive to not litigate because there is always more work than time to do it. Mr. Andrews stated one of the things we have needed to do in the past is to spend more time on the Surface Group and the mineral transactions on truly getting good templates and training the Staff as to why they are set up as they are. We are now working with better templates. Also, maybe the more efficient way to get hard transactional leases done is to get outside counsel instead of hiring a new attorney.

6. Block Planning - - Kay Burton

Mr. Burton reviewed the SWOT analysis and plans for the Block Planning Group:

Strengths:

- * Knowledgeable, competent Staff
- * Technically competent agency staff assisting with plan preparation
- * A successful planning model
- * Growing knowledge of what the Trust owns
- * An action plan for planned blocks

Weaknesses:

- * Back-log of blocks to be planned
- * Agency needs to continually re-prioritize blocks to be planned

Opportunities:

- * Re-prioritize land parcels of all sizes to be planned
- * Outsourcing of planning for non-priority blocks

Threats:

- * Public and politician's opinion of trust lands being public land
- * Municipal master plans which limit Trust options

Block Planning Strategy:

- * Utilize outsourcing of selected blocks to speed up production
- * Improve communications with the operating groups

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6. Block Planning - - Kay Burton (cont'd)

- * Work with the operating groups to recommend non-blocks that could use some initial planning analysis
- * Increase the block signage program
- * Place increased emphasis on municipalities' "master development plan" during the planning process.

Block Planning Action Plan

- * Outsource four blocks in FY 2009
- * Place entry signs on an additional five or six blocks in FY 2009
- * Assist the Planning & Development Group analyze its development portfolio's priority

Mr. Burton explained that there are some blocks that are quite far down the line for anything foreseeable happening on them, they are less sensitive, etc.; and so we are outsourcing them. Mr. Lee stated he thinks that is counterintuitive to pay to have blocks planned that are not necessarily ready for anything to happen anyway. Mr. Christy noted that one of the things we have observed in outsourcing of blocks is that it puts additional stress on other Staff. Mr Burton stated Staff has expressed that concern to him previously. He is outsourcing a block now and has given them some strict instructions. He will work with getting the in-house information. He stated we will have to see if there is too much additional work on Staff. Mr. Lee noted that he thinks it is the Board's decision as to which things Staff does on short and long-term planning. He is concerned that some of these decision have already been made by Staff.

Retreat Wrap-up - - Chairman Ferry

Mr. Scales stated that this is the first step in the planning process. He prefers that now the Board members review this information, maybe talk about it jointly or e-mail comments to the Director their comments and concerns, and then put together a starting document for discussion. This was never meant to be anything but a "look" at the strategic direction we should take.

Chairman Ferry stated we need to be careful that, at the end of this meeting, we haven't made decisions. The Board needs to look at all of this. Also, the incentive objective committee needs to compile a first draft and then present it to the Board. This is the beginning of a process. It was noted short-term goals are for the next fiscal year.

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Retreat Wrap-up - - Chairman Ferry (cont'd)

Mr. Scales stated that maybe individual Board members should sit down with appropriate group heads and see where they need to be going. This is a "first look", and he thinks Staff has done a great job thus far.

Director Carter noted we are not presenting the strategies as what we are doing, but only that we are starting discussion with things to do. Ms. Bird stated that, before we spend time as a Board, one of the things that needs to happen is that the SWOT analyses need to be worked into the short and long-term plans.

Chairman Ferry stated Board members need to look at this in their individual areas and then bring it back at a later time for further Board discussion. He asked that the individual Board members contact Staff members in their expertise and flush out what they would like to see happen. Send this on to the Director. We will then meet as an incentive committee before meeting again with the Board.

Mr. Brown stated he thought one of the reasons we tried this is so the Board could be involved and see how Staff sets priorities. That is why he thinks the plans need to tie back to the SWOT analyses. Do it for one year and then for four more years. We just need to keep working through this, and we will better understand why the goals and objectives are there. This process will basically go on for the rest of the year. There are other things that need to be in the overall plan, and they are listed in the incentive objectives.

Mr. Brown suggested that the subcommittee sit down and examine the SWOT's with the plans. Chairman Ferry noted that, in the interim, we will review the minutes of this meeting. Board members should contact their agency counterparts and review the issues and give direction and suggestions. The SWOTs are where we need to spend more time.

By the November Board meeting, we should be able to start to put together a plan. It may require that we have more meetings than those scheduled. Mr. Scales stated he would like to get the Board's input on each group before meeting with Staff. Director Carter stated he thinks it would be valuable if Board members could send him their perceptions and issues they think are critical and need more focus. He will put this in a document and send to all Board members. From that point, we can decide what is next. Possibly, the subcommittee will meet at that point. Chairman Ferry stated that comments should not be limited to the area of expertise of the individual Board member. Board members should contact Staff with comments on any that they want.

Retreat Wrap-up - - Chairman Ferry (cont'd)

The subcommittee will meet on November 6 at 8:30. Board members should get their input to Director Carter by the end of next week or Friday, October 31. We will put the Board's comments and the committee's work together to send to the Board.

Chairman Ferry returned to the question Mr. Lee had asked earlier about vertical improvements. Mr. Lee stated he just wonders if it is something we should be doing according to our fiduciary duty? Chairman Ferry stated he thinks we risk exposure.

Director Carter stated we would not go forward with building an office building without working with DFCM and the Board of Education. Mr. Ferry stated we need to deal with the exposure issue. The Director stated he would inquire of the legislature regarding building or buying a building before we did that. Mr. Andrews stated he thinks on verticals we should always do it with a sophisticated and well-capitalized private-sector partner. He thinks we should be going vertical, but only this way.

Director Carter thanked the Board members for all their time and effort putting this together and meeting with Staff. He thanked Staff for putting so much into it also.

Meeting adjourned at 3:47 p.m.